

PROPERTY TAX APPEAL BOARD'S DECISION

APPELLANT: Ken Melchionna
DOCKET NO.: 04-01657.001-R-2 & 05-01354.001-R-2
PARCEL NO.: 01-06-024-016

The parties of record before the Property Tax Appeal Board are Ken Melchionna, the appellant, by attorney Joanne P. Elliott of Elliott & Associates, Des Plaines; and the Carroll County Board of Review by attorneys David O. Edwards and Christopher E. Sherer of Giffin, Winning, Cohen & Bodewes, P.C., Springfield.

The subject property is improved with a two-story single family dwelling with a brick exterior construction that contains 7,067 square feet of above grade living area. Features of the dwelling include a walk-out basement with approximately 4,000 square feet of finished area, central air conditioning, eight fireplaces, an in-ground swimming pool and a two-car attached garage. Construction of the dwelling was completed in 2004. The property is located on a 6.52 acre parcel on Lake Carroll, Carroll County.

At the hearing the parties stipulated the subject property had a land value of \$350,000 for 2004 and \$370,000 for 2005. The parties also stipulated the subject dwelling had an occupancy date of March 27, 2004, and the 2004 improvement assessment should be prorated at 77% based on the occupancy date. The parties also stipulated that both appraisers are expert witnesses for purposes of the hearing.

The appellant contends the market value of the subject property is not accurately reflected in the assessed valuation. The appellant's attorney argued that subject had a total market value of \$1,650,000. The appellant's attorney contends the subject's market value should then be reduced 6% to account for the sales commission resulting in a market value estimate of \$1,551,000 as of January 1, 2004. To this amount the attorney argued that a 77% occupancy factor should be applied to the improvement

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Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds a reduction in the assessment of the property as established by the Carroll County Board of Review is warranted. The correct assessed valuation of the property is:

Docket No.	Land	Improvement	Total
04-01657.001-R-2	\$116,667	\$344,802	\$461,469
05-01354.001-R-2	\$124,250	\$448,338	\$572,588

Subject only to the State multiplier as applicable.

assessment to arrive at a final total assessment for 2004 of \$424,883. For 2005 the appellant's attorney argued the assessment should reflect a market value of \$1,551,000.

In support of the overvaluation argument the appellant submitted an appraisal prepared by real estate appraiser Ryan Herbig for both the 2004 and 2005 appeals. Herbig's appraisal contained a market value estimate for the subject property of \$1,650,000 as of May 10, 2005. Herbig was called as a witness on behalf of the appellant.

Herbig testified he physically walked through the property, had plans provided by the owner, walked the exterior of the property, walked to the lakefront and took photographs of the property. He valued the property as of May 10, 2005 and indicated that value would not be totally reflective of the property's value as of January 1, 2004, which may be less.

Herbig testified he measured the exterior of the property using a tape measure and took measurements on every corner. The above ground area was estimated to be 7,067 square feet and the below ground finished area was estimated to be 4,000 square feet. The appellant's witness testified that the value of below grade square footage would not be equal to the value of above grade area.

In selecting the comparable sales the appraiser pulled the three most expensive sales in Lake Carroll that were all lakefront properties. With respect to comparable number 1, this property sold in November 2004 for \$1,600,000. The appellant's appraiser testified this sale included two additional lakefront lots that were valued at \$300,000 each. Therefore, the net value of the comparable dwelling and associated lot was \$1,000,000. The witness also testified that the lake in front of the subject dwelling is shallow as compared to comparable sale number 1 where you can place a dock and have a deep well boat. The witness indicated you would have to have a shallow draft boat at the subject. The appraiser was of the opinion the subject is not a prime lakefront lot.

The appellant's appraiser was also of the opinion the subject suffers from functional obsolescence due to the size of the house, which is twice as large as the typical house. The appraiser was of the opinion the house was an over-improvement due to its size. The appraiser was aware of only one other house on the lake that was similar in size. The appraiser testified there are over 700 vacation homes in the Lake Carroll area and there were only two that approach this size, with the subject being the largest one on the lake. The appraiser was of the opinion there was no market for this type of home.

Herbig was also of the opinion the subject suffers from functional obsolescence as a result of the land being superadequate. He testified that homes in this area are weekend homes and explained that owners don't want to spend a lot of time on yard work. The witness testified if you have an estate type property like the subject you are essentially paying somebody to take care of the yard.

In explaining the \$508,400 adjustment for size of comparable 1 the appraiser stated the adjustment is set up on a square foot basis considering the law of diminishing demand. The appraiser testified that he adjusted all his comparables up for the basement and finished rooms below grade because they were all smaller than the subject.

The appellant's appraiser was of the opinion the subject's two-car garage was typical. The comparables he used had superior two or three-car garages with basements or extra storage requiring downward adjustments. The witness also indicated the adjustment process for comparables 2 and 3 were similar to those made to comparable 1. The appellant also made a \$10,000 positive adjustment to the comparables because the subject has a swimming pool that they do not have.

In summary the appellant's appraiser used three comparable sales in the sales comparison approach to value. The comparables were improved with one, ranch style home and two, 1.5-story dwellings. The comparables ranged in size from 1,919 to 3,014 square feet of above grade living area. Each comparable had finished basement area that ranged in size from 1,323 to approximately 1,900 square feet. Each comparable had central air conditioning and either two or three fireplaces. Each of the comparables also had either a two or three-car attached garage with a basement. The dwellings ranged in actual age from 8 to 14 years old with effective ages ranging from approximately 2 years old to approximately 4 years old. These properties had lot sizes that ranged from 1.67 to 2.04 acres. The sales occurred from June 2004 to November 2004 for prices ranging from \$639,000 to \$1,600,000. After making net adjustments to the comparables that ranged from 5.2% to 111.8% for differences from the subject the appraiser was of the opinion these sales had adjusted sales prices ranging from \$1,353,000 to \$1,683,000. Based on this data the appraiser estimated the subject had an indicated value under the sales comparison approach of \$1,650,000.

The appraiser also developed the cost approach to value wherein he estimated the subject had a site value of \$350,000. The replacement cost new was estimated to be \$1,393,077. From this the appraiser deducted \$162,572 for physical and functional obsolescence to arrive at a depreciated value of the improvements of \$1,230,505. To this the appraiser added \$100,000 for the site

improvements to arrive at an indicated value under the cost approach of \$1,680,505.

The appraiser testified the sales comparison approach is given more weight in residential appraisals because it reflects the actions of buyers and sellers. In reconciling the two approaches to value the appellant's appraiser gave most weight to the sales comparison approach and estimated the subject property had a market value of \$1,650,000 as of May 10, 2005.

The appraiser testified he would not be opposed to using comparable sales from the Galena Territories; however, he is not aware of any sales in excess of \$1,000,000 that occurred in that area. He also indicated the homes in the Galena Territories do not really have lake access because they are sitting on bluffs. The witness also indicated that property in the Galena Territories is known for golfing while property at Lake Carroll is associated with the lake.

Under cross-examination the appellant's appraiser testified that vacation home buyers probably would not purchase the subject. He thought a potential buyer would be somebody retired and planning on spending a lot of time in the area, which is not typical of this area. The appraiser was of the opinion that a vacation home buyer would not want to spend all his time and money on upkeep for property of this size.

The appraiser also testified he did not use sales from other markets because it was not relevant. The appraiser acknowledged that he made adjustments to the comparables for differing features, which he believed was proper in considering all amenities. The appraiser could not describe the subject's kitchen nor did he know if the subject had more than one kitchen. He made no adjustments to the comparables for kitchens. The appraiser also acknowledged that he made more than a 100% adjustment to his comparable sale number 3.

The witness testified there was a golf course at Lake Carroll and the subject property is gated, unlike other properties at Lake Carroll.

Under further cross-examination the appellant's appraiser stated his definition of market value was the most probable price which property should bring in the competitive open market under all conditions requisite to a fair sale. He would expect this property to sell on May 10, 2005, for a price of \$1,650,000. He indicated he did not care about the commission on the sales price.

The witness further testified that he had appraised his comparable sale number one and had interior and exterior access

to that property. With respect to sales 2 and 3 the appraiser did not conduct interior inspections but viewed the properties from the exterior. The witness testified the data on comparables 2 and 3 were from the property record cards maintained by the assessor's office. The witness testified he has appraised approximately 5 homes in the 7,000 square foot range with the subject being the first one of such size he appraised in Carroll County.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the final assessment of the subject property. In 2004 the subject had a final total assessment of \$681,088. The subject had an improvement assessment of \$564,421. Using an occupancy factor of 77% the subject would have had an improvement assessment of \$733,014 and a total assessment of \$849,681 which would reflect a full market value of approximately \$2,561,595 using the 2004 three year median level of assessments for Carroll County of 33.17%. The subject had a total assessment in 2005 of \$640,587 which reflects a market value of approximately \$1,924,263 using the 2005 three year median level of assessments for Carroll County of 33.29%. For 2004 and 2005 the board of review submitted two appraisals prepared by real estate appraiser Douglas C. Nelson estimating the subject had a market value of \$1,900,000 as of January 1, 2004, assuming the home was complete, and \$1,940,000 as of January 1, 2005.

The first witness called by the board of review was the appellant, Ken Melchionna. The appellant testified he does not live at the subject property but tries to come to the property every weekend. The appellant testified the cost to construct the home was about \$1,600,000. The witness was questioned about another appraisal that may have been prepared for the subject property. The appellant testified he could not recall if there was another appraisal or what it said.

Under cross-examination the appellant testified that he had not hired another appraiser to appraise the subject property other than the appraiser for the instant assessment appeals. The witness testified that he had difficulty obtaining a mortgage for the subject because it would not appraise for what it cost to build.

The next witness called on behalf of the board of review was real estate appraiser Douglas Nelson. Nelson testified he prepared two appraisals of the subject property with effective dates of January 1, 2004 and January 1, 2005. The estimated market values differed by \$40,000 due to the appraiser's belief that land values at Lake Carroll appreciated during 2004. He testified his two reports were the same up to where he developed the land value.

Nelson testified he did not inspect the subject property. He was informed when he was engaged to do the assignment that he would not gain entry to the house. He viewed the property from the front gate at the public road and from the opposite side of the cove. Nelson also testified that the supervisor of assessments has a complete set of plans and specifications or drawings composed of about 20 pages that he was able to take and review. He found this information very helpful.

The appraiser described the site as being composed of two platted lots that have 6.511 acres, which is significantly larger than the typical lake lot. He testified the comparable lot sales are in the range of 1.5 to 2 acres. Nelson testified the subject is at the end of a cove and the water level can make it difficult for boats at times. He was of the opinion the subject did not have an inferior site.

In estimating the market value of the subject property the appraiser used both the cost and sales comparison approaches to value. The witness was of the opinion there was no excess land associated with the property. He testified the subject is a mansion quality house that needs a mansion-sized setting for the improvements. In reviewing the land sales, the board of review's appraiser saw a 12% appreciation rate from 2004 to 2005. Nelson estimated the subject had a lot value of \$350,000 as of January 1, 2004, and \$370,000 as of January 1, 2005.

In estimating the value of the subject improvements using the cost approach the appraiser used the Marshall Residential Cost Handbook. The appraiser also used a 20% and 25% external obsolescence factor for each year under appeal. In the 2004 appraisal the appraiser estimated a cost new of \$2,004,535. From this the appraiser deducted \$20,000 for function obsolescence and \$400,907 for external obsolescence using 20% and \$511,134 for external obsolescence using 25% to arrive at a depreciated value of the improvements of \$1,583,628 and \$1,513,401. Adding the land value of \$350,000 under each scenario resulted in estimated values under the cost approach of \$1,860,000 and \$1,930,000.

Under the cost approach in the 2005 appraisal the appraiser estimated a cost new of \$2,144,860. From this the appraiser deducted \$21,499 for physical depreciation, \$20,000 for function obsolescence and \$420,862 for external obsolescence using 20% and \$525,853 for external obsolescence using 25% to arrive at a depreciated value of the improvements of \$1,682,729 and \$1,577,558. Adding the land value of \$370,000 under each scenario resulted in estimated values under the cost approach of \$1,950,000 and \$2,050,000.

In testimony the appraiser explained that he did not believe a two-car garage was adequate and thought a four-car garage would

be more appropriate. Due to this deficiency the appraiser made a \$20,000 deduction for functional obsolescence. The appraiser also explained that the 20 to 25 percent deduction for external obsolescence was because the house was so much larger and more expensive than anything on Lake Carroll.

The appraiser was next questioned about the sales comparison approach developed in each appraisal. Nelson testified that Lake Carroll is a vacation market appealing to people coming out of Chicago. His market area for the subject included Lake Carroll, the Galena Territories and the Lake Geneva area. Nelson was of the opinion that for a house of this size it would not be fair to review only sales within the Lake Carroll development. Nelson described Lake Carroll as a lake community with appeal for families for vacation use on weekends. By contrast, he testified that Galena Territories is a golfing area and a vacation area. He was of the opinion the values and appeal between Lake Carroll and the Galena Territories would be the same. Nelson also testified that Lake Geneva being closer to Chicago has significantly more market appeal and homes intend to be much more valuable. In selecting comparables Nelson used the multiple listing service (MLS) and the assessor's records at the Galena Territories and at Lake Geneva he used a realtor that is active in that market.

Nelson explained that in making adjustments to the comparables he estimated the land value at the comparable sale, deducted that from the price to arrive at price per square foot at the comparable sale. He then would compare that to the subject to arrive at a value per square foot for the subject and then add back the land value. He was of the opinion buyers of these types of houses are looking at the whole property which is why he uses this technique.

In the 2004 appraisal Nelson used five comparable sales located at Lake Carroll, Galena Territory and Lake Geneva. The comparables ranged in size from 4,041 to 15,000 square feet of total living area. Comparables 1 through 4 are described as ranging in size from 2,020 to 3,000 square feet of above grade living area with 1,800 to 2,249 square feet of below grade finished area. The dwellings ranged in age from new to 14 years old. The appraiser indicated the land areas ranged in size from .699 to 4 acres with comparable number 2 being described as having three lots. These properties sold from June 2001 to November 2004 for prices ranging from \$755,000 to \$4,540,185. The property at the high end of the range was located at Lake Geneva while the remaining four comparables located at Lake Carroll and at Galena Territory sold for prices ranging from \$755,000 to \$1,600,000. In his grid analysis the appraiser made land value deductions ranging from \$75,000 to \$2,000,000 to arrive at residual building values ranging from \$500,000 to

\$2,540,185. Dividing the residual building values by the total building areas resulted in unit values ranging from \$104 to \$169 per square foot. Based on this analysis the appraiser estimated the subject dwelling, with a total building area of 10,810 square feet, had a unit value of \$145 per square foot of total building. This estimate resulted in a dwelling value of \$1,567,450 to which the appraiser added a land value of \$350,000 resulting in a total value of \$1,920,000 under the sales comparison approach.

In the 2005 appraisal Nelson used seven comparable sales located at Lake Carroll, Galena Territory, Lake Geneva and Linn, Wisconsin. Comparable sales 1, 2, and 7 were also used in the 2004 appraisal as comparables 1, 2 and 5. The four new comparables numbered 3, 4, 5 and 6 ranged in size from 2,996 to 8,638 square feet of total living area. These four comparables were described as ranging in size from 1,922 to 4,200 square feet of above grade living area with 464 to 2,300 square feet of below grade finished area. The dwellings ranged in age from 4 to 13 years old. The appraiser indicated the land areas ranged in size from .47 to 2.22 acres. These four properties sold from November 2004 to December 2005 for prices ranging from \$682,500 to \$3,200,000. The property at the high end of the range was located at Linn, Wisconsin while the remaining three comparables located at Lake Carroll and at Galena Territory sold for prices ranging from \$682,500 to \$829,000. In his grid analysis the appraiser made land value deductions to the seven comparables ranging from \$100,000 to \$2,200,000 to arrive at residual building values ranging from \$432,500 to \$2,540,185. Dividing the residual building values by the total building areas resulted in unit values ranging from \$103 to \$214 per square foot. Based on this analysis the appraiser estimated the subject dwelling had a unit value of \$145 per square foot of total building area, which the appraiser calculated to be 10,810 square feet. This estimate resulted in a dwelling value of \$1,567,450 to which the appraiser added a land value of \$370,000 resulting in a total value of \$1,940,000.

In reconciling the two approaches to value in both appraisals Nelson gave most weight to the sales comparison approach and estimated the subject had a market value of \$1,900,000 as of January 1, 2004, and \$1,940,000 as of January 1, 2005.

The board of review's appraiser was of the opinion that it was appropriate to use total building area because at most lakes it has been his observation that realtors quote the total building area due to houses having walk-out lower levels.

Under cross examination Nelson agreed that comparable sale number three used in the appellant's appraisal located at 25-84 Lake Carroll Blvd. probably should have been used in his appraisal. The appraiser also agreed that Lake Geneva properties are

typically much more expensive than property located in Lake Carroll or Galena Territory. He also agreed that his analysis would be more commonly utilized in a mansion-type home.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal. The Board further finds a reduction in the subject's assessment is supported by the evidence in the record.

The appellant contends the market value of the subject property is not accurately reflected by the assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002). After considering the appraisals and the testimony of the appraisers, the Board finds a reduction in the subject's assessment is warranted.

In 2004 the subject had a final total assessment of \$681,088 with an improvement assessment of \$564,421. Using an occupancy factor of 77% the subject would have had an improvement assessment of \$733,014 and a total assessment of \$849,681, which would reflect a full market value of approximately \$2,561,595 using the 2004 three year median level of assessments for Carroll County of 33.17%. The subject had a total assessment in 2005 of \$640,587, which reflects a market value of approximately \$1,924,263 using the 2005 three year median level of assessments for Carroll County of 33.29%. The appellant submitted an appraisal with an effective date of May 10, 2005, estimating the subject property had a market value of \$1,650,000. For 2004 and 2005 the board of review submitted two appraisals estimating the subject had a market value of \$1,900,000 as of January 1, 2004, assuming the home was complete, and \$1,940,000 as of January 1, 2005.

The Board finds that both appraisers recognized the subject property was somewhat unique to the area due to its large size. The subject property had an above grade living area of approximately 7,067 square feet and a total building area if one considers the finished basement of approximately 11,000 square feet. As a result of its size both appraisers recognized the subject suffered from obsolescence. The subject also had a large land area composed of approximately 6.5 acres whereas most of the parcels in the Lake Carroll vicinity ranged from approximately 1.5 to 2.0 acres. Both appraisers also agreed that the sales comparison approach is most indicative of the subject's market value and is to be given most emphasis in estimating the market value of the subject property. Both appraisers also agreed that sales located at Galena Territory could be used as comparable sales.

In reviewing the three appraisals in the record, the Board finds both appraisers used two sales located at Lake Carroll, namely appellant's comparables 1 and 2 and board of review comparables 1 and 2. Herbig estimated these two sales had adjusted values of \$1,683,000 and \$1,628,000, respectively. Nelson, in turn, estimated these two sales reflected unit values of \$153 and \$104 per square foot of total building area. Using these unit values for the home and adding the land value for the respective years results in estimated values for the subject in 2004 of \$2,000,930 and \$1,474,240 and in 2005 of \$2,023,930 and \$1,494,240. The appellant's appraiser's third comparable sale was also located at Lake Carroll and had an adjusted market value of \$1,353,300. In the board of review's 2004 appraisal Nelson used two sales from Galena Territory wherein he estimated unit values of \$134 per square foot of finished area. Using this unit value and adding the land value of \$350,000 results in estimated values for the subject of \$1,798,540. In the board of review's 2005 appraisal Nelson used an additional sale from Lake Carroll that he estimated as having a value of \$145 per square foot of finished area. Using this unit value and adding the land value of \$370,000 results in estimated value for the subject of \$1,937,450. In his 2005 appraisal Nelson also used two sales from Galena Territory that he determined had unit values of \$129 and \$103 per square foot of finished area. Using these unit values and adding the land value of \$370,000 results in estimated values for the subject of \$1,764,490 and \$1,483,430. The Property Tax Appeal Board gives little weight to the sales used by Nelson located at Lake Geneva and at Linn, Wisconsin finding that these sales are not reflective of the values at Lake Carroll.

Using the adjusted prices of these sales the Board finds the range is from \$1,353,300 to \$2,023,900. The average adjusted price of the sales is approximately \$1,703,000 with a median adjusted sales price of approximately \$1,723,000. After considering this data, the two appraisals and the testimony provided by the two appraisers, the Property Tax Appeal Board finds the subject property had a market value of \$1,700,000 as of January 1, 2004 and \$1,720,000 as of January 1, 2005. Since market value has been established the three year median level of assessments for Carroll County for 2004 and 2005 of 33.17% and 33.29%, respectively, shall apply.

The Board further finds that for 2004 the subject property had a land value of \$350,000 resulting in an improvement value of \$1,350,000. The Board also finds the subject's 2004 improvement assessment should be prorated at 77% pursuant to the agreement of the parties.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.



Chairman



Member



Member

Member

Member

DISSENTING: _____

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: February 29, 2008



Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the

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subsequent year are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for the subsequent year directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.